AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Al Muratsuchi, Chair

WEDNESDAY, OCTOBER 22, 2014
11:00 AM – REDONDO UNION HIGH SCHOOL

IMPLEMENTATION OF THE MIDDLE CLASS SCHOLARSHIP PROGRAM

I. OPENING REMARKS

Assembly Member Al Muratsuchi, Chair

Committee Members

II. FIRST-YEAR IMPLEMENTATION OF THE MIDDLE CLASS SCHOLARSHIP

Diana Fuentes-Michel, Executive Director, California Student Aid Commission

Christopher Carter, Director of Student Financial Support, University of California Office of the President

Dean Kulju, Director of Student Financial Aid Services and Programs, California State University Chancellor's Office

III. STUDENT PERSPECTIVES

Devon Graves, California State Polytechnic University, Pomona

Addrita Das, University of California Los Angeles

IV. PUBLIC COMMENT

BACKGROUND

Between 2003-04 and 2010-11, as the state reduced support for higher education, tuition grew at the University of California from \$4,984 annually to \$12,192 – an increase of 145%. During the same period, tuition grew at California State University from \$2,046 to \$5,970 – an increase of 191%. In addition to tuition, students face considerable other costs, ranging from books to housing. The average cost of attendance this year for UC is \$33,100; while at CSU it is about \$23,000 for students not living at home.

Rising tuition and other costs have forced more and more California students to borrow to pay for college: California's class of 2012 graduated with an average student debt level of \$20,269, according to data published this year by The Institute for College Access and Success.

While federal and state financial aid programs have long focused on increasing access and affordability for low-income college students, relatively few public aid programs have sought to support students whose family income was too high to qualify for programs such as the Pell Grant or Cal Grant but who still need help in paying for college.

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, created the Middle Class Scholarship Program. The program provides aid to undergraduate students with family incomes up to \$150,000 to attend the University of California or California State University. Students with family incomes up to \$100,000 will qualify to have up to 40% of their tuition covered when combined with other public financial aid. The percent of tuition covered declines for students with family income between \$100,000 and \$150,000, such that a student with a family income of \$150,000 qualifies to have up to 10% of tuition covered.

The program is to be phased in over four years, beginning in the current fiscal year. The phase-in period is:

- In 2014-15, students can receive up to 14% off of tuition;
- In 2015-16, students will receive up to 20% off of tuition;
- In 2016-17, students will receive up to 30% off of tuition;
- And in 2017-18 and beyond, students will receive up to 40% off of tuition.

AB 94 set appropriation amounts for each of the first four years: \$107 million was set aside for the program in 2014-15. The legislation calls for a \$152 million appropriation in 2015-16, \$228 million in 2016-17 and \$305 million in 2017-18 and beyond.

Students are required to fill out the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application to become eligible for the program.

The budget also provided the California Student Aid Commission with two permanent positions and one limited-term position to launch and oversee the program, as well as \$500,000 in ongoing funding for the California Student Opportunity and Access Program to conduct student outreach and ensure students are aware of the new program.

SB 860 (Senate Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014, made adjustments to the program based on input from the Student Aid Commission and the two segments. The changes include:

- A change to the definition of other financial aid, to ensure the award goes only to students paying tuition/fees.
- A new requirement that students seeking the scholarship fill out the federal financial aid application by March 2, which is the same deadline as other financial aid programs.
- Language that limits the award to a student's first bachelor's degree or teaching credential, similar to Cal Grant policy.
- Language that allows part-time students to also receive the scholarship, but bases scholarship on the amount students are paying for tuition.

Based on preliminary data from the Student Aid Commission provided to the Subcommittee in September, more than 72,000 students are expected to receive the award in Fall 2014-15. The following chart indicates the number of students receiving the award from each segment and the average amount the students will receive.

Segment	# of Students	Average Award Amount
California State University	56,925	\$619
University of California	16,006	\$1,128
Total	72,931	\$744

Based on these numbers, the Student Aid Commission is expected to distribute \$53.7 million to students. That number will grow, however, as some students entering UC or CSU in the winter or spring semesters also will be eligible. The Commission estimates that 21,250 additional students may qualify for the award, adding about \$16 million in expenditures in 2014-15.

Some students have received the scholarship, while most others are expected to receive the funding by the end of the month.

STAFF COMMENTS/SUGGESTED QUESTIONS

In its first year and beyond, the Middle Class Scholarship will provide relief to tens of thousands of California students. The funding will allow students to work or borrow less and is a significant new state investment in higher education after years of cuts to UC and CSU.

However, fewer students have applied for the program than originally anticipated. In the Spring, UC had estimated that about 25,000 UC students would likely be eligible for the program, while CSU had estimated about 132,000 CSU students could qualify. There are several potential reasons why fewer students are participating:

- Other aid is benefitting students. The Middle Class Scholarship program is designed to provide support for students after all other types of aid is considered. In addition to federal and state programs like the Pell Grant and Cal Grant, both UC and CSU provide aid to students. For example, the UC's Blue and Gold Opportunity Plan ensures that all students with household incomes below \$80,000 pay no tuition, while CSU allocates about \$600 million annually to the State University Grant, which provides financial support to thousands of CSU students. Many students may already receive up to 40% off of their tuition due to other types of aid, making them ineligible for the Middle Class Scholarship.
- Many eligible students didn't apply. Because the Middle Class Scholarship program is in its first year of implementation, awareness remains an issue. Students with family incomes in the targeted range for this program may not have filled out the FAFSA, which is the key requirement to be considered for a scholarship. One issue for the Subcommittee to consider is the deadline for application to the program in the 2014-15 school year. In 2015 and beyond, students will need to fill out the FAFSA by March 2 for the following school year, which is the same deadline as many other financial aid programs, such as Cal Grants. However, because this deadline was imposed in a budget trailer bill signed this past June, the March 2 deadline is not in effect for the 2014-15 school year.

Potential questions for the panelists include:

- What type of outreach to students has been done to make them aware of the Middle Class Scholarship program? How can outreach efforts be improved?
- How many students are eligible but may not have applied for this scholarship?
- When will students begin receiving their scholarship this year?
- In future years, at what point in the summer or fall can students expect to receive their scholarship?
- What are barriers to FAFSA or Dream Act completion that may have limited the number of students receiving the scholarship?
- What other challenges have the commission or segments faced in implementing this new program?
- What should the deadline for application be for the current school year?